



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

January 5, 2007

**TO:** Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

**FROM:** J. Tyler McCauley   
Auditor-Controller

**SUBJECT: DPSS FISCAL YEAR 2001-04 FINANCIAL COMPLIANCE AUDITS OF  
STATE MANDATED PROGRAM CONTRACTS**

The Department of Public Social Services (DPSS) contracts with private providers to provide a variety of services related to DPSS programs. The contract services include clerical support, training, case management and service coordination, for programs such as CalWorks and GAIN. The State requires the County to conduct fiscal and program audits of the providers to ensure they comply with all State requirements.

At DPSS' request, we engaged two Certified Public Accounting firms (CPAs), Simpson & Simpson (Simpson), and Thompson, Cobb, Bazilio & Associates (TCBA), to conduct the fiscal/program audits of 68 service providers for fiscal years 2001-02 through 2003-04. The audit periods for 11 of the contracts were extended back prior to 2001-02 to include periods that had not been previously audited.

**SUMMARY**

Simpson and TCBA have completed their audits of 66 of the 68 providers. The CPAs could not audit two of the providers because the providers did not have documentation for the auditors to review.

Simpson and TCBA identified a total of \$363,300 in questioned costs for the 66 providers. The questioned costs were for costs that were not adequately documented, expenditures in excess of budget, and fixed asset purchases that were not pre-

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approved by the County as required by the contract. One of the providers, Compton Community College District (CCCD), accounted for \$151,569 of the questioned costs. The CPA also noted that CCCD was faced with the potential loss of its accreditation, which, in the auditor's judgment, would call into question CCCD's ability to continue as a going concern.

A summary of Simpson's and TCBA's findings for each service provider is shown in Attachment I.

### **REVIEW OF REPORT**

Simpson and TCBA discussed their reports with each provider and DPSS. Simpson and TCBA made a total of 105 recommendations to correct various fiscal and program compliance issues noted during their audits. DPSS indicated that they are working with the service providers to address the recommendations.

With respect to the two contractors that could not be audited due to a lack of documentation, DPSS will be consulting with County Counsel to determine what, if any recourse the County may have against these contractors.

TCBA also issued a management letter to DPSS (Attachment II), with two recommendations related to the required number of participants and changes to contract language. DPSS' response, which is included in Attachment II, indicates agreement with the recommendations. Simpson did not issue a management letter.

Because of the number of service providers, copies of individual reports are not attached. Please call if you have any questions, or have your staff call Mike McWatters at (626) 293-1109 if you wish to review any of the reports.

JTM:JS:MMW  
Attachments

c: David E. Janssen, Chief Administrative Officer  
Bryce Yokomizo, Director, Department of Public Social Services  
Public Information Office  
Audit Committee

## Findings by Service Provider

	Agency Name	Description of Service	Report Findings	Questioned Costs
1.	Future Personnel Agency, Inc / Top Tempo 8350	Provide as needed temporary secretarial/clerical services.	0	
2.	Superior Staffing Services 8350	Provide as needed temporary secretarial/clerical services.	0	
3.	All Staff 8350	Provide as needed temporary secretarial/clerical services.	0	
4.	PDQ 8350	Provide as needed temporary secretarial/clerical services.	1	
5.	Transportation Concept	Provide shuttle bus services due to parking limitations at DPSS Training Academy, Paramount and Rancho Dominguez offices.	0	
6.	File Keepers, Inc., LLC	Provide case record storage and retrieval services.	0	
7.	Mt. San Antonio College - GP004	This training includes entry - level multilingual telecommunications skills training.	0	
8.	Citrus College WTW05 and GP006	These training services consist of three components - VESL Immersion Multi-Media Instruction, Employment Skills and Certified Nurses Assistant Training.	1	\$ 2,157
9.	Housing Authority - City of Los Angeles (HACLA) -	Provide language sensitive vocational training to CalWORKs participants who face significant barriers to employment due to having limited English language skills.	0	
10.	Antelope Valley College (AVC) -	This training consists of a combination of English and skills training.	1	10,328
11.	PDQ Personnel 73177	Provide fingerprinting and photo imaging services to CalWORKs, Food Stamps and GR applicants in 43 DPSS offices.	1	
12.	ACS State & Local Solutions	Issue Food Stamps, CalWORKs and GR benefits.	0	
13.	Human Resources Marketing Services, Inc.	Provide training to DPSS staff attending the Training Academy.	0	
14.	Mt. San Antonio College - Regional Health Occupation 73313	Provide training to DPSS staff attending the Training Academy.	1	

**Attachment I**

	<b>Agency Name</b>	<b>Description of Service</b>	<b>Report Findings</b>	<b>Questioned Costs</b>
15.	Los Angeles County Office of Education CMMD-114	Provide out-of-classroom support/coordination services to CalWORKs participants at 20 non-LAUSDA Adult Education and Regional Occupational Center/Program school sites.	1	\$ 33,000
16.	Los Angeles County Office of Education 02001	Help participants overcome employment barriers through goal setting, building self-esteem, and teaching benefits of working lifestyle.	0	
17.	Future Personnel/Top Tempo 74006	Provide as needed temporary secretarial/clerical services.	1	
18.	Superior Staffing Services 74005	Provide as needed temporary secretarial/clerical services.	1	1,334
19.	PDQ 74003	Provide as needed temporary secretarial/clerical services.	1	
20.	Maximus, Inc.	Provide Gain case management services in GAIN regions II & VII.	1	
21.	ACS State & Local Solutions CMMD-002	Provide Gain case management services in GAIN regions II & VII.	2	
22.	Child Care Information Service	Administer CalWORKs Stage 1 Child Care.	0	
23.	Child Care Resource Center	Administer CalWORKs Stage 1 Child Care	0	
24.	Pathways	Administer CalWORKs Stage 1 Child Care	2	
25.	Children's Home Society of California	Administer CalWORKs Stage 1 Child Care.	0	
26.	Connections for Children	Administer CalWORKs Stage 1 Child Care.	0	
27.	Crystal Stairs, Inc	Administer CalWORKs Stage 1 Child Care.	0	
28.	Mexican-American Opportunity Foundation	Administer CalWORKs Stage 1 Child Care.	0	
29.	Options, A Child Care Agency	Administer CalWORKs Stage 1 Child Care.	0	
30.	Pomona Unified School District - Child Development Program	Administer CalWORKs Stage 1 Child Care.	0	
31.	City of Norwalk	Administer CalWORKs Stage 1 Child Care.	0	
32.	International Institute of Los Angeles	Administer CalWORKs Stage 1 Child Care.	0	
33.	Drew Child Development Corporation	Administer CalWORKs Stage 1 Child Care.	0	

**Attachment I**

	<b>Agency Name</b>	<b>Description of Service</b>	<b>Report Findings</b>	<b>Questioned Costs</b>
34.	Center for Community and Family Services	Administer CalWORKs Stage 1 Child Care.	0	
35.	Los Angeles Homeless Service Authority 74180	Provide assistance to CalWORKs families at risk of eviction and relocation assistance to find permanent housing.	0	
36.	LA Mission College 072- Careers	Train CalWORKs participants to become licensed childcare providers.	7	\$ 7,042
37.	Cerritos College 078- CalWorks	Provide coordination services to participating CalWorks program.	3	
38.	Citrus College 067- Careers	Train CalWORKs participants to become licensed childcare providers.	2	
39.	Citrus College 079- CalWorks	Provide coordination services to participating CalWorks program.	1	
40.	Compton College 068- Careers	Train CalWORKs participants to become licensed childcare providers.	3	
41.	Compton College 080- CalWorks	Provide coordination services to participating CalWorks program.	6	151,569
42.	Rio Hondo College 075- Careers	Train CalWORKs participants to become licensed childcare providers.	3	
43.	Rio Hondo College 087- CalWorks	Provide coordination services to participating CalWorks program.	3	
44.	El Camino College 074- Careers	Train CalWORKs participants to become licensed childcare providers.	9	8,877
45.	El Camino College 081- CalWorks	Provide coordination services to participating CalWorks program.	1	
46.	Long Beach City College 71- Careers	Train CalWORKs participants to become licensed childcare providers.	5	
47.	Long Beach City College - CalWorks	Provide coordination services to participating CalWorks program.	3	
48.	Santa Clarita College 088- CalWorks	Provide coordination services to participating CalWorks program.	2	
49.	East LA College 069- Careers	Train CalWORKs participants to become licensed childcare providers.	5	22,297
50.	Pasadena City College 086- CalWorks	Provide coordination services to participating CalWorks program.	2	

**Attachment I**

	<b>Agency Name</b>	<b>Description of Service</b>	<b>Report Findings</b>	<b>Questioned Costs</b>
51.	Santa Monica College 076- Careers	Train CalWORKs participants to become licensed childcare providers.	5	\$ 17,767
52.	Santa Monica College 089- CalWorks	Provide coordination services to participating CalWorks program.	0	
53.	Los Angeles College 084- CalWorks	Provide coordination services to participating CalWorks program.	4	29,453
54.	Los Angeles Southwest 073- Careers	Train CalWORKs participants to become licensed childcare providers.	3	1,056
55.	Mt. San Antonio College 074- Careers	Train CalWORKs participants to become licensed childcare providers.	10	22,656
56.	Mt. San Antonio College 085- CalWorks	Provide coordination services to participating CalWorks program.	4	
57.	Glendale College 082- CalWorks	Provide coordination services to participating CalWorks program.	3	
58.	Antelope Valley 077- CalWorks	Provide coordination services to participating CalWorks program.	4	55,765
59.	EDS Corporation- GEARS	GEARS is an employment management system used by GAIN/Cal-Learn case managers and DPSS Collaborative partners.	0	
60.	Unisys Corporation- LEADER System	Develop, implement, operate and maintain the LEADER system for DPSS.	0	
61.	Mangus Int'l Trade Services- Translation	Provide for as-needed written translation of various program materials for the public.	0	
62.	Lazar & Associates- Translation	Provide for as-needed written translation of various program materials for the public.	0	
63.	Merrill Corporation- Translation	Provide for as-needed written translation of various program materials for the public.	0	
64.	Empire Enterprises 73901- Shuttle Bus Services	Provide shuttle bus services due to parking limitations at DPSS Training Academy, Paramount and Rancho Dominguez offices.	0	
65.	Empire Enterprises 74414- Shuttle Bus Services	Provide shuttle bus services due to parking limitations at DPSS Training Academy, Paramount and Rancho Dominguez offices.	0	

**Attachment I**

	<b>Agency Name</b>	<b>Description of Service</b>	<b>Report Findings</b>	<b>Questioned Costs</b>
66.	We-Tip, Inc.- Anonymous Fraud Refrls	Provide 24-hour 365 days hotline manned by trained multilingual operators to take anonymous referrals for investigation of welfare fraud. Also provides a system to pay reward to anonymous informants.	3	
<b>Total Findings</b>				<b>105      \$ 363,300</b>

	<b>Agency's Not Audited due to Absence of Documentation</b>	<b>Description of Service</b>
1.	Adecco	Provide as needed temporary secretarial/clerical services.
2.	Mt. San Antonio College - The Training Source 73312	Provide training to DPSS staff attending the Training Academy.

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
*Certified Public Accountants and Management, Systems, and Financial Consultants*

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21250 Hawthorne Boulevard  
Suite 500  
Torrance, CA 90503  
310-792-7001  
Fax: 310-792-7004

1101 15<sup>th</sup> Street, N.W. 100  
Suite 400  
Washington, DC 20005  
203-737-3300  
Fax: 202-737-2684

100 Pearl Street  
14<sup>th</sup> Floor  
Hartford, CT 06103  
203-249-7246  
Fax: 203-275-6504

January 25, 2006

Mr. Tyler McCauley  
Auditor-Controller  
County of Los Angeles  
500 West Temple Street, Room 525  
Los Angeles, California 90012-2766

Dear Mr. McCauley,

In planning and performing our financial and compliance audits of the 23 Los Angeles County Department of Public Social Service (DPSS) providers that performed State mandated programs for DPSS during the fiscal years 2001-2004, we considered DPSS' contract management and administration in order to determine our auditing procedures for the purpose of expressing an opinion on the compliance and financial examination and not to provide assurance on DPSS' contract management and administration.

However, during our audit, we noted a few matters that could strengthen DPSS' contract administration and management. Our comments are summarized as follows:

**Minimum Number of Participants Requirement in Careers in Child Care Contracts**

The Careers in Child Care contracts did not clearly specify the period that contractors are to maintain the required minimum number of participants during the contract term. For example, it is unclear whether the contractor is to meet the required minimum number of participants on a monthly basis, on an annual basis or for the entire contract term. Without specifying a period that the contractors are required to maintain the minimum number of participants, it was difficult to determine if the contractors are in compliance with the contract terms. To ensure compliance with the contract, the contract should be amended to clearly specify the period that contractors are required to maintain the minimum number of participants.

**Management Response**

*The recommendation is targeted for implementation by September 30, 2006.*



Mr. Tyler McCauley  
January 25, 2006  
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### **Changes to Contract Terms and Conditions**

There were no written approvals on changes to the term of the contracts such as amendments or letters of authorization to the contracts. We were informed of a verbal authorization of contract change given by the Contract Administrator for Phase I audits. For example, El Camino College was charging the DPSS 8% on indirect cost when the budget in the contract requires only 6%. An El Camino College official stated that a DPSS Contract Administrator verbally authorized them to charge at 8% on indirect cost. Without a written approval, it would appear that the contractor is not in compliance with the contract. We were unable to obtain either a confirmation or objection from the Department regarding this practice taking place, however, we recommend that all changes to the contract be amended in writing and signed by both parties.

### **Management Response**

*The recommendation has been implemented.*

This report is intended solely for the information and use of the Auditor-Controller, DPSS and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, CA *Champion, Cable, Berglin & Associates, PC*